

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF PRESCOTT**

Ogemaw County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2008

# VILLAGE OF PRESCOTT

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Prescott, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Prescott as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Prescott's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Village of Prescott as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2008 on our consideration of the Village of Prescott's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Prescott's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berchume & Co.*

Saginaw, Michigan  
September 11, 2008

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF PRESCOTT

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## STATEMENT OF NET ASSETS

June 30, 2008

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 93,059	\$ 573	\$ 93,632
Receivables	15,184	41,681	56,865
Internal balances	1,200	(1,200)	-
Restricted cash and cash equivalents	-	8,000	8,000
Capital assets:			
Nondepreciable capital assets	74,327	19,073	93,400
Depreciable capital assets, net	<u>65,738</u>	<u>853,676</u>	<u>919,414</u>
Total assets	<u>249,508</u>	<u>921,803</u>	<u>1,171,311</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	39,718	14,850	54,568
Long-term liabilities:			
Due within one year	15,000	4,000	19,000
Due in more than one year	<u>15,000</u>	<u>330,000</u>	<u>345,000</u>
Total liabilities	<u>69,718</u>	<u>348,850</u>	<u>418,568</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	140,065	538,749	678,814
Restricted for:			
Debt service	-	8,000	8,000
Streets	52,699	-	52,699
Unrestricted	<u>(12,974)</u>	<u>26,204</u>	<u>13,230</u>
Total net assets	<u>\$ 179,790</u>	<u>\$ 572,953</u>	<u>\$ 752,743</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
<b>Functions/Programs</b>	<b><u>Expenses</u></b>				
<i>Governmental activities:</i>					
General government	\$ 24,807	\$ -	\$ -	\$ -	\$ (24,807)
Public works	86,044	12,168	50,967	-	(22,909)
Recreation and culture	4,285	-	265	-	(4,020)
Interest on long-term debt	1,878	-	-	-	(1,878)
Total governmental activities	<u>\$ 117,014</u>	<u>\$ 12,168</u>	<u>\$ 51,232</u>	<u>\$ -</u>	<u>\$ (53,614)</u>
<i>Business-type activities:</i>					
Sewer	\$ 97,935	\$ 74,097	\$ -	\$ 37,000	\$ 13,162
Total business-type activities	<u>\$ 97,935</u>	<u>\$ 74,097</u>	<u>\$ -</u>	<u>\$ 37,000</u>	<u>\$ 13,162</u>

continued

*The accompanying notes are an integral part of these financial statements.*



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	<i><b>Governmental Activities</b></i>	<i><b>Business- type Activities</b></i>	<i><b>Total</b></i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (53,614)	\$ 13,162	\$ (40,452)
General revenues:			
Taxes			
Property taxes, levied for general purpose	20,187	-	20,187
Grants and contributions not restricted to specific programs	23,922	-	23,922
Unrestricted investment earnings	418	19	437
Miscellaneous	1,762	-	1,762
Total general revenues	46,289	19	46,308
Change in net assets	(7,325)	13,181	5,856
Net assets, beginning of year	187,115	559,772	746,887
Net assets, end of year	\$ 179,790	\$ 572,953	\$ 752,743

# VILLAGE OF PRESCOTT

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2008

	<i>Major Governmental Funds</i>			<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Park Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 11,267	\$ 51,939	\$ 26,191	\$ 3,662	\$ 93,059
Due from other governmental units	7,557	6,057	1,570	-	15,184
Due from other funds	-	-	18,505	-	18,505
Advance receivable from other fund	1,200	-	-	-	1,200
Total assets	<u>\$ 20,024</u>	<u>\$ 57,996</u>	<u>\$ 46,266</u>	<u>\$ 3,662</u>	<u>\$ 127,948</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 6,004	\$ 5,223	\$ 27,835	\$ -	\$ 39,062
Due to other funds	-	18,505	-	-	18,505
Total liabilities	<u>6,004</u>	<u>23,728</u>	<u>27,835</u>	<u>-</u>	<u>57,567</u>
<b>Fund balances:</b>					
Unreserved:					
General fund	14,020	-	-	-	14,020
Special revenue funds	-	34,268	18,431	3,662	56,361
Total fund balances	<u>14,020</u>	<u>34,268</u>	<u>18,431</u>	<u>3,662</u>	<u>70,381</u>
Total liabilities and fund balances	<u>\$ 20,024</u>	<u>\$ 57,996</u>	<u>\$ 46,266</u>	<u>\$ 3,662</u>	<u>\$ 127,948</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

**Total fund balances for governmental funds** \$ 70,381

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	176,520	
Less accumulated depreciation	<u>(36,455)</u>	140,065

Interest payable in the governmental activities are not payable from current  
resources and therefore are not reported in the governmental funds. (656)

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Bond payable	<u>(30,000)</u>
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**Net assets of governmental activities** \$ 179,790

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<i>Major Governmental Funds</i>			<i>Nonmajor Governmental Fund</i>	<i>Total Governmental Funds</i>
	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Park Fund</i>	
<b>Revenues:</b>					
Property taxes	\$ 20,187	\$ -	\$ -	\$ -	\$ 20,187
State grants	28,299	37,009	9,581	-	74,889
Charges for services	12,168	-	-	-	12,168
Interest and rents	74	258	72	14	418
Other revenue	1,533	-	229	265	2,027
Total revenues	62,261	37,267	9,882	279	109,689
<b>Expenditures:</b>					
Current					
General government	24,741	-	-	-	24,741
Public works	29,735	14,458	35,147	-	79,340
Recreation and culture	4,263	-	-	-	4,263
Other	1,018	-	-	-	1,018
Capital outlay	2,728	-	-	-	2,728
Debt service					
Principal	-	4,269	10,731	-	15,000
Interest and fees	-	562	1,635	-	2,197
Total expenditures	62,485	19,289	47,513	-	129,287
Excess (deficiency) of revenues over expenditures	(224)	17,978	(37,631)	279	(19,598)
<b>Other financing sources (uses):</b>					
Transfers from other funds	-	-	18,505	-	18,505
Transfers to other funds	-	(18,505)	-	-	(18,505)
Total other financing sources (uses)	-	(18,505)	18,505	-	-
Net change in fund balances	(224)	(527)	(19,126)	279	(19,598)
Fund balances, beginning of year	14,244	34,795	37,557	3,383	89,979
Fund balances, end of year	\$ 14,020	\$ 34,268	\$ 18,431	\$ 3,662	\$ 70,381

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF PRESCOTT

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

**Net change in fund balances - total governmental funds** \$ (19,598)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,728	
Less depreciation expense	<u>(5,774)</u>	(3,046)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets.	15,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	<u>319</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ (7,325)</u></u>
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*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## PROPRIETARY FUND – ENTERPRISE FUND

### STATEMENT OF NET ASSETS

June 30, 2008

	<u><i>Sewer Fund</i></u>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 573
Accounts receivable	<u>41,681</u>
Total current assets	<u>42,254</u>
<b><i>Noncurrent assets:</i></b>	
Restricted cash and cash equivalents	8,000
Capital assets:	
Nondepreciable capital assets	19,073
Depreciable capital assets, net	<u>853,676</u>
Total noncurrent assets	<u>880,749</u>
Total assets	<u>923,003</u>
<b>Liabilities:</b>	
<b><i>Current liabilities:</i></b>	
Accounts payable	11,405
Current portion of long-term debt	4,000
Accrued interest payable	3,445
Advance payable to other fund	<u>1,200</u>
Total current liabilities	<u>20,050</u>
<b><i>Noncurrent liabilities:</i></b>	
Long-term debt	<u>330,000</u>
Total noncurrent liabilities	<u>330,000</u>
Total liabilities	<u>350,050</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	538,749
Restricted for:	
Debt service	8,000
Unrestricted	<u>26,204</u>
Total net assets	<u><u>\$ 572,953</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## *PROPRIETARY FUND – ENTERPRISE FUND*

### **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Year Ended June 30, 2008

	<i><b>Sewer Fund</b></i>
<b>Operating revenues:</b>	
Charges for services	\$ 73,419
Penalties	43
Other	635
Total operating revenues	<u>74,097</u>
<b>Operating expenses:</b>	
Personnel	875
Fringe benefits	67
Supplies	3,797
Contracted services	37,375
Telephone	717
Utilities	16,440
Repairs and maintenance	1,153
Equipment rental	24
Other services and supplies	4,091
Depreciation	<u>18,422</u>
Total operating expenses	<u>82,961</u>
Operating income (loss)	<u>(8,864)</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	19
Interest expense	<u>(14,974)</u>
Total non-operating revenues (expenses)	<u>(14,955)</u>
Net income (loss) before contributions	(23,819)
<b>Capital contributions - federal grant</b>	<u>37,000</u>
Net income (loss)	13,181
Net assets, beginning of year, restated	<u>559,772</u>
Net assets, end of year	<u><u>\$ 572,953</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## PROPRIETARY FUND – ENTERPRISE FUND

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	<u><i>Sewer Fund</i></u>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 73,992
Receipts from interfund activities	2,745
Payments to employees	(875)
Payments to suppliers	<u>(54,912)</u>
Net cash provided by operating activities	<u>20,950</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions - federal grant	37,000
Acquisition and construction of capital assets	(39,579)
Principal payments on capital debt	(3,000)
Interest paid on capital debt	<u>(14,974)</u>
Net cash used by capital and related financing activities	<u>(20,553)</u>
<b>Cash flows from investing activities:</b>	
Interest	<u>19</u>
Net cash provided by investing activities	<u>19</u>
Net increase in cash and cash equivalents	416
Cash and cash equivalents, beginning of year	<u>8,157</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,573</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (8,864)
Adjustments:	
Depreciation	18,422
Change in assets and liabilities:	
Accounts receivable	(105)
Due from other funds	1,545
Accounts payable	7,679
Accrued interest payable	1,073
Advance payable to other fund	<u>1,200</u>
Net cash provided by operating activities	<u><u>\$ 20,950</u></u>

*The accompanying notes are an integral part of these financial statements.*



# VILLAGE OF PRESCOTT

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*FIDUCIARY FUND – AGENCY FUND*  
**STATEMENT OF NET ASSETS**  
June 30, 2008

	<i><u>Agency Fund</u></i>
<b>Assets:</b>	
Cash and cash equivalents	<u>\$ 2,742</u>
<b>Liabilities:</b>	
Accounts payable	<u>2,742</u>
<b>Net assets:</b>	
Unrestricted	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of Prescott conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units, if any. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Village's reporting entity.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements, the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Local Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Restricted Assets** – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid expenses in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

that are immovable and of value only to the government) are capitalized if acquired after July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Equipment	5-15 years
Sewer system	50 years
Site improvements	20 years
Vehicles	5-10 years

**Compensated Absences** – It is the Village’s policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, there is no liability shown in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Properties are assessed as of December 31. The related property taxes are levied on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

The 2007 taxable valuation of the Village totaled \$3,760,710, on which ad valorem taxes levied consisted of 5.3206 mills for the Village’s operating purposes.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

The delinquent real property taxes of the Village are purchased by Ogemaw County.

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption by the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i><b>Final Budget</b></i>	<i><b>Actual</b></i>	<i><b>Excess</b></i>
<b>General Fund:</b>			
General government	\$ 20,450	\$ 24,741	\$ 4,291
Public works	13,600	29,735	16,135
Recreation and culture	3,500	4,263	763
Other	-	1,018	1,018
Capital outlay	-	2,728	2,728
<b>Major Street Fund:</b>			
Debt service	-	562	562
Transfers to other funds	-	18,505	18,505
<b>Local Street Fund:</b>			
Public works	3,296	35,147	31,851
Debt service	10,730	12,366	1,636

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$105,272 of bank deposits (checking and savings accounts), fully covered by federal depository insurance. At year end, the Village had no investments.

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### NOTE 4: CAPITAL ASSETS

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Capital assets activity of the Village's governmental and business-type activities was as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 74,327	\$ -	\$ -	\$ 74,327
Depreciable capital assets				
Buildings and improvements	34,556	-	-	34,556
Equipment	20,296	989	-	21,285
Site improvements	-	1,739	-	1,739
Vehicles	44,613	-	-	44,613
Subtotal depreciable capital assets	99,465	2,728	-	102,193
Accumulated depreciation	(30,681)	(5,774)	-	(36,455)
Depreciable capital assets, net	68,784	(3,046)	-	65,738
Governmental activities, capital assets, net	<u>\$ 143,111</u>	<u>\$ (3,046)</u>	<u>\$ -</u>	<u>\$ 140,065</u>



# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 19,073	\$ -	\$ -	\$ 19,073
Depreciable capital assets				
Equipment	4,000	-	-	4,000
Receiving facility	-	39,579	-	39,579
Sewer system	1,079,930	-	(863,944)	215,986
Site improvements	10,000	-	-	10,000
Treatment plant	660,116	-	-	660,116
Subtotal depreciable capital assets	1,754,046	39,579	(863,944)	929,681
Accumulated depreciation	(240,174)	(18,422)	182,591	(76,005)
Depreciable capital assets, net	1,513,872	21,157	(681,353)	853,676
Business-type activities, capital assets, net	<u>\$ 1,532,945</u>	<u>\$ 21,157</u>	<u>\$ (681,353)</u>	<u>\$ 872,749</u>

Depreciation expense was charged to programs of the primary government as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 66	\$ -
Public works	5,686	-
Recreation and culture	22	-
Sewer	-	18,422
Total depreciation	<u>\$ 5,774</u>	<u>\$ 18,422</u>

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### NOTE 5: LONG-TERM LIABILITIES

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The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

Long-term liabilities at June 30, 2008 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
2000 Issue - Transportation Fund Bond	8/1/00-8/1/09	4.1-5.3%	\$10,000-15,000	\$ 130,000	\$ 30,000
<b>Business-type Activities</b>					
<b>Revenue Bonds:</b>					
2005 Issue - USDA Revenue Bond	4/1/06-4/1/45	4.125%	\$2,000-17,000	\$ 234,000	\$ 228,000
2005 Issue - USDA Revenue Bond	4/1/06-4/1/45	4.125%	\$1,000-12,000	\$ 109,000	\$ 106,000

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>	<u>Due within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds:					
2000 Issue	\$ 45,000	\$ -	\$ (15,000)	\$ 30,000	\$ 15,000
Total governmental activities					
- long-term liabilities	\$ 45,000	\$ -	\$ (15,000)	\$ 30,000	\$ 15,000
<b>Business-type activities:</b>					
Revenue Bonds:					
2005 Issue, Series 2005A	\$ 230,000	\$ -	\$ (2,000)	\$ 228,000	\$ 3,000
2005 Issue, Series 2005B	107,000	-	(1,000)	106,000	1,000
Total business-type activities					
- long-term liabilities	\$ 337,000	\$ -	\$ (3,000)	\$ 334,000	\$ 4,000

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 15,000	\$ 1,185	\$ 16,185	\$ 4,000	\$ 13,778	\$ 17,778
2010	15,000	398	15,398	4,000	13,614	17,614
2011	-	-	-	4,000	13,448	17,448
2012	-	-	-	4,000	13,282	17,282
2013	-	-	-	4,000	13,118	17,118
2014-2018	-	-	-	25,000	62,948	87,948
2019-2023	-	-	-	31,000	57,134	88,134
2024-2028	-	-	-	37,000	50,324	87,324
2029-2033	-	-	-	47,000	41,828	88,828
2034-2038	-	-	-	58,000	31,394	89,394
2039-2043	-	-	-	71,000	18,398	89,398
2044-2045	-	-	-	45,000	3,056	48,056
	<u>\$ 30,000</u>	<u>\$ 1,583</u>	<u>\$ 31,583</u>	<u>\$ 334,000</u>	<u>\$ 332,322</u>	<u>\$ 666,322</u>

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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### NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
<b>Receivables:</b>		
Accounts	\$ -	\$ 41,681
Intergovernmental	<u>15,184</u>	<u>-</u>
Total receivables	<u>\$ 15,184</u>	<u>\$ 41,681</u>
<b>Accounts payable and accrued expenses:</b>		
Accounts	\$ 39,062	\$ 11,405
Accrued interest	<u>656</u>	<u>3,445</u>
Total accounts payable and accrued expenses	<u>\$ 39,718</u>	<u>\$ 14,850</u>

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### NOTE 7: INTERFUND BALANCES AND TRANSFERS

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The composition of advance receivable and payable balances at June 30, 2008 is as follows:

<i><u>Receivable Fund</u></i>	<i><u>Payable Fund</u></i>	<i><u>Amount</u></i>
General Fund	Sewer Fund	<u>\$ 1,200</u>

The composition of interfund receivable and payable balances at June 30, 2008 is as follows:

<i><u>Receivable Fund</u></i>	<i><u>Payable Fund</u></i>	<i><u>Amount</u></i>
Local Street Fund	Major Street Fund	<u>\$ 18,505</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
Major Street Fund	Local Street Fund	<u>\$ 18,505</u>

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

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### NOTE 8: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village manages all of its loss risks with the purchase of commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### Pension Plan

The Village currently does not have a pension plan.

#### Post Employment Benefits

The Village currently does not provide any post employment benefits.

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### NOTE 10: PRIOR PERIOD ADJUSTMENT

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#### Impairment Loss

The Sewer Fund's beginning net assets were restated to include an impairment loss of \$681,353, which was the net value of the original sewer system that is no longer being used by the Village.

The effect on beginning net assets is as follows:

	<i><u>Sewer Fund</u></i>	<i><u>Business-type Activities</u></i>
Net assets at June 30, 2007 as previously stated	\$ 1,241,125	\$ 1,241,125
Record impairment loss on original sewer system	<u>(681,353)</u>	<u>(681,353)</u>
Net assets at June 30, 2007, as restated	<u>\$ 559,772</u>	<u>\$ 559,772</u>

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF PRESCOTT

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 18,565	\$ 18,565	\$ 20,187	\$ 1,622
State grants	24,800	24,800	28,299	3,499
Charges for services	600	600	12,168	11,568
Interest and rents	80	80	74	(6)
Other revenue	-	-	1,533	1,533
	<u>44,045</u>	<u>44,045</u>	<u>62,261</u>	<u>18,216</u>
Total revenues				
<b>Expenditures:</b>				
Current				
General government	20,450	20,450	24,741	4,291
Public works	13,600	13,600	29,735	16,135
Recreation and culture	3,500	3,500	4,263	763
Other	-	-	1,018	1,018
Capital outlay	-	-	2,728	2,728
	<u>37,550</u>	<u>37,550</u>	<u>62,485</u>	<u>24,935</u>
Total expenditures				
Net change in fund balance	6,495	6,495	(224)	(6,719)
Fund balance, beginning of year	14,244	14,244	14,244	-
Fund balance, end of year	<u>\$ 20,739</u>	<u>\$ 20,739</u>	<u>\$ 14,020</u>	<u>\$ (6,719)</u>

# VILLAGE OF PRESCOTT

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## *SPECIAL REVENUE FUND – MAJOR STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2008

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
State grants	\$ 31,500	\$ 31,500	\$ 37,009	\$ 5,509
Interest and rents	150	150	258	108
Total revenues	31,650	31,650	37,267	5,617
<b>Expenditures:</b>				
Current				
Public works	24,691	24,691	14,458	(10,233)
Debt service				
Principal	4,269	4,269	4,269	-
Interest and fees	-	-	562	562
Total expenditures	28,960	28,960	19,289	(9,671)
Excess (deficiency) of revenues over expenditures	2,690	2,690	17,978	15,288
<b>Other financing sources (uses):</b>				
Transfers to other funds	-	-	(18,505)	(18,505)
Total other financing sources (uses)	-	-	(18,505)	(18,505)
Net change in fund balance	2,690	2,690	(527)	(3,217)
Fund balance, beginning of year	34,795	34,795	34,795	-
Fund balance, end of year	<u>\$ 37,485</u>	<u>\$ 37,485</u>	<u>\$ 34,268</u>	<u>\$ (3,217)</u>

# VILLAGE OF PRESCOTT

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## *SPECIAL REVENUE FUND – LOCAL STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2008

	<i><b>Budgeted Amounts</b></i>			<i><b>Actual Over (Under) Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues:</b>				
State grants	\$ 8,088	\$ 8,088	\$ 9,581	\$ 1,493
Interest and rents	120	120	72	(48)
Other revenue	-	-	229	229
Total revenues	<u>8,208</u>	<u>8,208</u>	<u>9,882</u>	<u>1,674</u>
<b>Expenditures:</b>				
Current				
Public works	3,296	3,296	35,147	31,851
Debt service				
Principal	10,730	10,730	10,731	1
Interest and fees	-	-	1,635	1,635
Total expenditures	<u>14,026</u>	<u>14,026</u>	<u>47,513</u>	<u>33,487</u>
Excess (deficiency) of revenues over expenditures	<u>(5,818)</u>	<u>(5,818)</u>	<u>(37,631)</u>	<u>(31,813)</u>
<b>Other financing sources:</b>				
Transfers from other funds	-	-	18,505	18,505
Total other financing sources	<u>-</u>	<u>-</u>	<u>18,505</u>	<u>18,505</u>
Net change in fund balance	(5,818)	(5,818)	(19,126)	(13,308)
Fund balance, beginning of year	<u>37,557</u>	<u>37,557</u>	<u>37,557</u>	<u>-</u>
Fund balance, end of year	<u>\$ 31,739</u>	<u>\$ 31,739</u>	<u>\$ 18,431</u>	<u>\$ (13,308)</u>



***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF PRESCOTT

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2008

**Revenues:**

***Current Taxes:***

Property taxes	\$ 20,007
Penalties and interest on taxes	180
	<u>20,187</u>

***State Grants:***

State revenue sharing - sales tax	23,922
Metro Act Authority	4,377
	<u>28,299</u>

***Charges for services:***

Refuse collection fees	<u>12,168</u>
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***Interest and rents:***

Interest	<u>74</u>
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***Other Revenue:***

Reimbursements	1,427
Refunds and rebates	106
	<u>1,533</u>

Total revenues	<u><u>\$ 62,261</u></u>
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# VILLAGE OF PRESCOTT

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2008

#### *General Government:*

##### *Council:*

Personnel	\$ 2,650
Fringe benefits	219
Other	200
	<u>3,069</u>

##### *Clerk:*

Personnel	1,000
Fringe benefits	88
Supplies	20
	<u>1,108</u>

##### *Audit and Accounting:*

Contracted services	<u>3,665</u>
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##### *Administration:*

Supplies	121
Contracted services	20
Telephone	438
Dues and memberships	500
Printing and publications	160
Other	2,644
	<u>3,883</u>

##### *Treasurer:*

Personnel	1,000
Fringe benefits	82
Supplies	159
Contracted services	160
Other	125
	<u>1,526</u>

##### *Elections:*

Telephone	<u>38</u>
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##### *Building and Grounds:*

Personnel	1,400
Fringe benefits	171
Supplies	2,428
Insurance	4,759
Utilities	1,972
Repairs and maintenance	227
Other	117
	<u>11,074</u>

##### *Attorney:*

Contracted services	<u>378</u>
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Total general government	<u>24,741</u>
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# VILLAGE OF PRESCOTT

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2008

**Public Works:**

*Department of Public Works:*

Personnel	1,815
Fringe benefits	140
Supplies	2,699
Repairs and maintenance	2,526
	<u>7,180</u>

*Street Lighting:*

Utilities	<u>8,747</u>
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*Refuse:*

Contracted services	<u>13,808</u>
Total public works	<u>29,735</u>

**Recreation and Culture:**

*Parks and Recreation:*

Personnel	1,015
Fringe benefits	79
Supplies	16
Contracted services	150
	<u>1,260</u>

*Library:*

Personnel	220
Fringe benefits	17
Utilities	2,077
Repairs and maintenance	164
Other	525
	<u>3,003</u>

Total recreation and culture	<u>4,263</u>
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**Other:**

Workers compensation insurance	<u>1,018</u>
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**Capital Outlay:**

General government	989
Recreation and culture	<u>1,739</u>
	<u>2,728</u>

Total expenditures	<u><u>\$ 62,485</u></u>
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# VILLAGE OF PRESCOTT

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## *FIDUCIARY FUND – AGENCY FUND*

### **STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

June 30, 2008

	<i><u>July 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>June 30, 2008</u></i>
<b><u>Payroll Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 298</u>	<u>\$ 29,944</u>	<u>\$ 27,500</u>	<u>\$ 2,742</u>
<b>Liabilities:</b>				
Accounts payable	<u>\$ 298</u>	<u>\$ 29,944</u>	<u>\$ 27,500</u>	<u>\$ 2,742</u>

# VILLAGE OF PRESCOTT

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## GOVERNMENTAL ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2008

#### TRANSPORTATION BOND FUND

Issue dated August 1, 2000 in the amount of	\$	130,000
Less: Principal paid in prior years		(85,000)
Principal paid in current year		<u>(15,000)</u>
Balance payable at June 30, 2008	\$	<u>30,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>August 1</u></i>	<i><u>Interest due</u></i> <i><u>August 1</u></i>	<i><u>Interest due</u></i> <i><u>February 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2009	5.20%	\$ 15,000	\$ 787	\$ 398	\$ 16,185
2010	5.30%	<u>15,000</u>	<u>397</u>	<u>-</u>	<u>15,397</u>
		<u>\$ 30,000</u>	<u>\$ 1,184</u>	<u>\$ 398</u>	<u>\$ 31,582</u>

# VILLAGE OF PRESCOTT

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2008

#### SANITARY SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005A

Issue dated July 1, 2005 in the amount of	\$	234,000
Less: Principal paid in prior years		(4,000)
Principal paid in current year		<u>(2,000)</u>
Balance payable at June 30, 2008	\$	<u>228,000</u>

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i> <i>October 1</i>	<i>Interest due</i> <i>April 1</i>	<i>Principal due</i> <i>April 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	4.125%	\$ 4,703	\$ 4,703	\$ 3,000	\$ 12,406
2010	4.125%	4,641	4,641	3,000	12,282
2011	4.125%	4,579	4,579	3,000	12,158
2012	4.125%	4,517	4,517	3,000	12,034
2013	4.125%	4,455	4,455	3,000	11,910
2014	4.125%	4,393	4,393	3,000	11,786
2015	4.125%	4,331	4,331	3,000	11,662
2016	4.125%	4,269	4,269	3,000	11,538
2017	4.125%	4,208	4,208	4,000	12,416
2018	4.125%	4,125	4,125	4,000	12,250
2019	4.125%	4,043	4,043	4,000	12,086
2020	4.125%	3,960	3,960	4,000	11,920
2021	4.125%	3,878	3,878	4,000	11,756
2022	4.125%	3,795	3,795	4,000	11,590
2023	4.125%	3,713	3,713	5,000	12,426
2024	4.125%	3,609	3,609	5,000	12,218
2025	4.125%	3,506	3,506	5,000	12,012
2026	4.125%	3,403	3,403	5,000	11,806
2027	4.125%	3,300	3,300	5,000	11,600
2028	4.125%	3,197	3,197	6,000	12,394
2029	4.125%	3,073	3,073	6,000	12,146
2030	4.125%	2,949	2,949	6,000	11,898
2031	4.125%	2,826	2,826	6,000	11,652
2032	4.125%	2,702	2,702	7,000	12,404
2033	4.125%	2,558	2,558	7,000	12,116
2034	4.125%	2,413	2,413	7,000	11,826
2035	4.125%	2,269	2,269	8,000	12,538
2036	4.125%	2,104	2,104	8,000	12,208
2037	4.125%	1,939	1,939	8,000	11,878
2038	4.125%	1,774	1,774	9,000	12,548
2039	4.125%	1,588	1,588	9,000	12,176
2040	4.125%	1,403	1,403	9,000	11,806
2041	4.125%	1,217	1,217	10,000	12,434
2042	4.125%	1,011	1,011	10,000	12,022
2043	4.125%	804	804	11,000	12,608
2044	4.125%	578	578	11,000	12,156
2045	4.125%	351	351	17,000	17,702
		<u>\$ 112,184</u>	<u>\$ 112,184</u>	<u>\$ 228,000</u>	<u>\$ 452,368</u>

# VILLAGE OF PRESCOTT

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2008

#### SANITARY SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005B

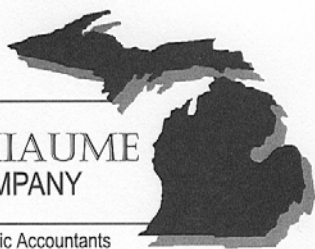
Issue dated July 1, 2005 in the amount of	\$	109,000
Less: Principal paid in prior years		(2,000)
Principal paid in current year		<u>(1,000)</u>
Balance payable at June 30, 2008	\$	<u>106,000</u>

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i> <i>October 1</i>	<i>Interest due</i> <i>April 1</i>	<i>Principal due</i> <i>April 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	4.125%	\$ 2,186	\$ 2,186	\$ 1,000	\$ 5,372
2010	4.125%	2,166	2,166	1,000	5,332
2011	4.125%	2,145	2,145	1,000	5,290
2012	4.125%	2,124	2,124	1,000	5,248
2013	4.125%	2,104	2,104	1,000	5,208
2014	4.125%	2,083	2,083	1,000	5,166
2015	4.125%	2,063	2,063	1,000	5,126
2016	4.125%	2,042	2,042	2,000	6,084
2017	4.125%	2,001	2,001	2,000	6,002
2018	4.125%	1,959	1,959	2,000	5,918
2019	4.125%	1,918	1,918	2,000	5,836
2020	4.125%	1,877	1,877	2,000	5,754
2021	4.125%	1,836	1,836	2,000	5,672
2022	4.125%	1,794	1,794	2,000	5,588
2023	4.125%	1,753	1,753	2,000	5,506
2024	4.125%	1,712	1,712	2,000	5,424
2025	4.125%	1,671	1,671	2,000	5,342
2026	4.125%	1,629	1,629	2,000	5,258
2027	4.125%	1,588	1,588	2,000	5,176
2028	4.125%	1,547	1,547	3,000	6,094
2029	4.125%	1,485	1,485	3,000	5,970
2030	4.125%	1,423	1,423	3,000	5,846
2031	4.125%	1,361	1,361	3,000	5,722
2032	4.125%	1,299	1,299	3,000	5,598
2033	4.125%	1,238	1,238	3,000	5,476
2034	4.125%	1,176	1,176	3,000	5,352
2035	4.125%	1,114	1,114	3,000	5,228
2036	4.125%	1,052	1,052	4,000	6,104
2037	4.125%	969	969	4,000	5,938
2038	4.125%	887	887	4,000	5,774
2039	4.125%	804	804	4,000	5,608
2040	4.125%	722	722	4,000	5,444
2041	4.125%	639	639	4,000	5,278
2042	4.125%	557	557	5,000	6,114
2043	4.125%	454	454	5,000	5,908
2044	4.125%	351	351	5,000	5,702
2045	4.125%	248	248	12,000	12,496
		<u>\$ 53,977</u>	<u>\$ 53,977</u>	<u>\$ 106,000</u>	<u>\$ 213,954</u>



BERTHIAUME  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of Village Council  
Village of Prescott, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Prescott, as of and for the year ended June 30, 2008, which collectively comprise the Village of Prescott's basic financial statements and have issued our report thereon dated September 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village of Prescott's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

#### **Recording, Processing and Summarizing Accounting Data**

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Prescott's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bertchauer & Co.*

Saginaw, Michigan  
September 11, 2008



## **REQUIRED COMMUNICATION TO THE VILLAGE OF PRESCOTT IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Village Council  
Village of Prescott

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Prescott for the year ended June 30, 2008, and have issued our report thereon dated September 11, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 10, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Prescott are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. Note 10 on page 24 discusses an adjustment needed to write-off the previous costs of the part of the sewer system that is no longer in use.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 11, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Village of Prescott as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Prescott's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

\*\*\*\*\*

This communication is intended solely for the information and use of management, Village Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

September 11, 2008